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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

The implementation of procurement reform in the United Nations Secretariat

Report of the Secretary-General

SUMMARY

The present report is submitted to the General Assembly pursuant to its resolution 49/216 C of 23 December 1994. The Secretary-General has welcomed with appreciation the report of the High-level Group of Experts on Procurement, and has accepted most of the recommendations made by the Group.

The Secretary-General is fully committed to the reform of the United Nations procurement system, and is determined to establish an efficient and responsive procurement process that ensures that goods and services are obtained in an expeditious and cost-effective manner - a procurement policy and procedures to ensure a truly competitive, fair and transparent process.

There is an urgent need to restructure and strengthen the management of procurement services, with the immediate emphasis for reform focused on Headquarters activities, which will subsequently be applied to procurement activities away from Headquarters. The Purchase and Transportation Service will be restructured as a Division, and headed by a Director, subject to approval by the General Assembly at its current session.

The present report provides information and details on the number of actions already taken, or planned, with regard to the implementation of the reform measures, including training of procurement officers, delegation of procurement authority, systems contracts, updating and enhancing the supplier roster, revamping the Headquarters Committee on Contracts, designation of a Supplier Relations Officer, defining responsibilities and streamlining procedures, reviewing the relevant financial regulations and rules, publicizing contract activities and awards, and developing information technology in support of procurement activities.

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I. INTRODUCTION

1. The General Assembly, in paragraph 3 of its resolution 49/216 C of 23 December 1994, requested the Secretary-General to submit to it, through the Advisory Committee on Administrative and Budgetary Questions, a report containing proposals for the improvement of the procurement activities in the Secretariat, including, inter alia:

(a) Any necessary amendments to the Financial Regulations and Rules of the United Nations and to the Staff Regulations and Rules of the United Nations required to address issues of conflict of interest;

(b) Reinforcement of the role of the Committee on Contracts and greater transparency in its operations in respect of the granting of exceptions to the competitive bidding rule, particularly where exigency was cited as the reason for requesting such exceptions;

(c) Improved monitoring of contract compliance and the strengthening of penalty clauses for non-compliance;

(d) Strengthening of the planning capacity of the Secretariat in the field of procurement;

(e) Enhancement of the effectiveness of the approved roster of bidders and the formulation of standard and transparent guidelines and procedures for the pre-qualification of potential suppliers;

(f) Timely advertisement of tenders for competitive bidding and the regular publication of contract awards.

2. In connection with the responsibilities of the Secretariat in the area of procurement, in his report on the establishment of a transparent and effective system of accountability and responsibility (A/C.5/49/1), the Secretary-General informed the General Assembly that the procurement process and related management issues at Headquarters, for field missions and in the field would be reviewed in 1994 by an independent high-level group of procurement experts (hereafter the "Group of Experts"). So as to ensure the input of Governments in this very important and highly scrutinized area, the participating procurement experts were drawn from Member States. The Group of Experts was to make recommendations that would provide the basis for a more responsive and coherent policy intended to establish the responsibility for an efficient and responsive procurement process and to ensure that goods and services were obtained in an expeditious and cost-effective manner. Moreover, this new policy was to include revised procedures for providing a truly competitive, fair and transparent process, including the establishment of clear lines of authority and accountability, as well as inherent control mechanisms.

3. The terms of reference of the Group of Experts are contained in annex I to the present report. The main areas and activities covered in the review by the Group of Experts included the Financial Regulations and Rules of the Organization governing procurement procedures and practices; the requisitioning,

bid evaluation and supplier registration processes; the use of letters of assist; the current levels and scope of delegated procurement authority to field missions; the distribution of workload between Headquarters and the field in terms of both value and number of transactions; and the existing control mechanisms.

4. The Group of Experts was guided and assisted by a steering committee chaired jointly by the Under-Secretaries-General for Administration and Management and Peace-keeping Operations. The report of the Group of Experts was submitted to the steering committee at the end of December 1994.

5. The Group of Experts divided its recommendations into two stages. The first stage comprised recommendations in which either quick benefits could be gained or where the gestation period was relatively long. The second stage involved recommendations for actions needed to ensure that the United Nations Secretariat instituted a logistics organization that would provide efficient and cost-effective support for peace-keeping and other field operations.

6. The Group of Experts carried out a detailed analysis of the current procurement practices and procedures both at Headquarters and in the field. The problems identified related to the full spectrum of procedures, processes, organization and culture, and, in particular, to excessive bureaucracy, lack of delegation of authority, little or no empowerment of staff, inflexible regulations, rules and practices, and poor management and leadership.

7. Bearing in mind the concerns of the General Assembly and having considered the recommendations made by the Group of Experts, as well as other recommendations and suggestions, including those of the Board of Auditors, the Secretary-General presented a progress report in June 1995 on the implementation of procurement reform in the United Nations Secretariat (A/C.5/49/67), which was welcomed by the General Assembly in its decision 49/486 of 20 July 1995.

8. The present report is submitted to the General Assembly pursuant to its resolution 49/216 C.

II. IMPROVING PROCUREMENT AND LOGISTIC SUPPORT FOR THE FUTURE

9. The Secretary-General has welcomed with appreciation the report of the Group of Experts and has accepted most of the recommendations made by the Group. The invaluable services of three members of the Group of Experts have been made available by their respective Governments at no cost to the United Nations, to assist the Secretariat further in the implementation of the recommendations of the Group. The Secretary-General has directed the Secretariat officials concerned to proceed expeditiously with the implementation of the recommendations within existing resources and capacity.

10. The Secretary-General is fully committed to the reform of the United Nations procurement system. It should be noted, however, that the reform of the current United Nations procurement system, urgent as it may be, cannot be brought about overnight, especially in view of the current United Nations regulations and rules, which are presently under review.

11. There is an urgent need to restructure and strengthen the management of the United Nations procurement services. The emphasis for reform is currently focused on Headquarters activities and will subsequently be applied to other United Nations offices, field missions and regional commissions.

12. Currently, procurement is carried out by the Purchase and Transportation Service, within the Buildings and Commercial Services Division, Office of Conference and Support Services. This is not a satisfactory arrangement. Bearing in mind the magnitude of the Headquarters activities of the Purchase and Transportation Service - procuring goods and services for almost $500 million annually - it should be established as a Procurement and Transportation Division, headed by a Director. Accordingly, the proposed programme budget for the biennium 1996-1997 for the Office of Conference and Support Services 1/ provides for the Purchase and Transportation Service to be restructured as a Division headed by a Director at the D-2 level, reporting directly to the Assistant Secretary-General for Conference and Support Services. The proposal for a D-2 post involves the upgrading of an established post at the D-1 level. Subject to the approval of that post by the General Assembly, the Secretary-General intends to appoint a Director with extensive experience and sound knowledge in procurement, logistics and contracting, including substantial managerial experience in these areas at the international level, as well as a proven ability and record of strategic planning.

13. The Procurement and Transportation Division is responsible for procurement of supplies, equipment, contractual services and external printing services; negotiation, issuance and administration of contracts; presentation of cases to the Headquarters Committee on Contracts; development and maintenance of computerized rosters of suppliers and cataloguing of commonly used items; expediting of acquisitions; processing of bids and purchase orders; and the administration and development of the automated procurement system. In addition, such activities also include travel and transportation and related services.

14. The following are the responsibilities of the two procurement services within the Procurement and Transportation Division:

(a) The Headquarters and Regional Offices Procurement and Transportation Service is responsible for providing procurement services for United Nations Headquarters and offices away from Headquarters, such as special commissions, information centres, specialized agencies, short-term missions and conferences, as well as for the regional commissions. The Service is responsible for procuring requirements that cannot be obtained in the respective local areas or which exceed the local delegated authority. Specifically, it is responsible for (i) procuring external printing, which includes binding and related services for United Nations publications and encompasses sales and promotional printed materials; (ii) providing laissez-passers; processing visa applications, customs clearances and travel arrangements for United Nations staff members, representatives of specialized agencies and delegates attending General Assembly sessions; (iii) arranging incoming and outgoing shipments of household goods and personal effects for staff members at Headquarters and specialized agencies; (iv) monitoring of shipments and customs clearances; (v) filing and settling insurance claims; (vi) providing store control services for expendable supplies

for United Nations Headquarters and overseas offices; and (vii) receiving and inspecting services for Headquarters acquisitions;

(b) The Field Missions Procurement Service is responsible for providing procurement services for United Nations peace-keeping operations and other field missions with continued support for goods and services that exceed their local delegated authority. Specifically, it is responsible for (i) contracting for air and sea movements of troops and cargo; and (ii) construction, logistics and procurement of prefabricated accommodations, storage units, generators, vehicles, petrol, oil and lubricants, food, medical equipment and supplies, uniforms, clothing, electronic data-processing and other communications equipment and general supplies.

A. Training for procurement

15. Since April 1995, the Secretariat has been implementing a training programme for procurement personnel offered by the United Nations Office for Project Services in conjunction with George Washington University's Government Contracts Programme. Accordingly, staff members of the Procurement and Transportation Division and the Field Administration and Logistics Division of the Department of Peace-keeping Operations have been participating in the training programme. The training has included both the professional practice of procurement as well as a module covering the ethics of procurement. By the end of November 1995, the total number of staff who will have received such training will reach 42. In 1996, this will be further expanded to include management training to improve the professionalism, capability and skills of procurement managers.

16. A one-month on-the-job training programme at Headquarters for procurement personnel for peace-keeping missions has also been instituted. In addition, starting with the United Nations Mission in Haiti (UNMIH), a rotation system for procurement officers in the Procurement and Transportation Division has been established, on a regular basis, between Headquarters and the field. The rotation system will be expanded to include other missions as well. Procurement officers have also begun to visit trade shows and exhibitions, thus enhancing considerably their market knowledge. In addition, these visits will improve both the written and oral communication skills of the individuals as well as their self-confidence and motivation towards the job. While this initiative offers no quick solutions - nor can it be regarded as a substitute for formal training - it is an important element in the overall strategy of investing in the training of the United Nations staff. Staff members of the Procurement and Transportation Division have also been participating at seminars and conferences organized for suppliers, thereby providing information to participants on United Nations procurement policy and procedures, and the kinds of goods and services required by the United Nations. All staff members concerned will also be receiving training in the Integrated Management Information System (IMIS) and in the procurement software package.

B. Delegation of authority

17. Revised delegation of procurement authority for peace-keeping missions has been granted worldwide and has significantly increased mission procurement authority. Accordingly, all restrictions for missions to procure only within a limited geographical area have been removed. Delegation of procurement authority to peace-keeping missions is under constant review in order to ensure that the appropriate level of authority is delegated for the effective procurement of goods and services for the missions. Within each grade, individual contractual delegation will be based upon the experience, competence and qualifications of the procurement officer. Every individual delegated contractual signing authority will soon receive appropriate terms of reference, specifying clearly their respective individual responsibility, authority and accountability.

18. To enable timely procurement of essential goods and services required for new missions and the maintenance of ongoing missions, and in order for the Controller to exercise the authority granted under financial rule 110.6 (Commitments against the appropriations of current and future financial periods), relevant criteria, restrictions and new procedures were introduced during January 1995 to facilitate requests for use of this authority in certain key areas of procurement for peace-keeping operations.

C. System contracts

19. Some progress has been made in identifying and instituting system contracts for the provision of goods and services. The Field Administration and Logistics Division, the Procurement and Transportation Division and the Office of Legal Affairs are continuing to define more clearly the parameters and scope of the concept of system contracts (otherwise known as requirement contracts), while at the same time identifying the goods and services that may be appropriate for such contracts. An all-out effort will be made to address this important matter.

D. Supplier roster

20. The supplier roster in the Procurement and Transportation Division currently includes over 4,000 firms from the majority of Member and Observer States. In line with the implementation of Release 3 of IMIS scheduled for April 1996, the Procurement and Transportation Division, together with the Department for Development Support and Management Services, is currently in the process of re-registering all its current suppliers. The first phase of re-registering all active suppliers, who currently have a contract with the Procurement and Transportation Division and the Department for Development Support and Management Services, is well under way and should be completed by 30 November 1995. The second phase of re-registering all other suppliers on the roster has already commenced and is scheduled for completion by mid-December 1995. The objective of the third phase of the process, which is scheduled to begin before the end of November 1995, is to expand the supplier

roster in order to identify additional suppliers of goods and services and to provide a wider geographical base.

21. The Secretariat has already consulted with Member and Observer States to seek their assistance in advertising and disseminating the pre-registration procedures within their respective countries and to encourage suppliers to seek registration on the United Nations supplier roster.

22. In addition, currently under review is a draft paper on policy on supplier roster maintenance for procurement suppliers at Headquarters. The draft paper establishes criteria for admission to and registration on the supplier roster, removal procedures and methods for maintaining an active supplier roster. In order to assist and expedite the re-registration exercise, a programme has been developed to enable the electronic re-registering of all suppliers currently on the Procurement and Transportation Division and the Contracts and Procurement Service/Department for Development Support and Management Services databases. A consultant will review the supplier performance criteria and make recommendations for an effective supplier selection and performance monitoring system for use with the bid module of the procurement software application. The supplier database in IMIS will consist of all suppliers, both finance- and procurement-related.

23. An up-to-date user-friendly supplier roster remains a priority for reform and no effort will be spared to ensure the completion of this project by March 1996.

24. All staff members in the Procurement and Transportation Division have been authorized to communicate with suppliers, responding to appropriate questions that may be raised with respect to registration and other questions relating to United Nations procurement policy and procedures. All staff members have also been directed to ensure an open and transparent relationship with suppliers, thereby furthering the goal of establishing an efficient and responsive procurement system.

E. Headquarters Committee on Contracts

25. For the year 1994, the Headquarters Committee on Contracts reviewed a total of 1,185 cases, with a total value of $1,378,861,841. During the period from January to September 1995, the Committee reviewed a total of 877 cases, with a value of $957,682,329. (For details see annexes III and IV to the present report.) Pursuant to paragraph 3 (b) of General Assembly resolution 49/216 C, considerable effort has been made to strengthen the role of the Committee and to provide greater transparency in its operations as regards the granting of exceptions under financial rule 110.19 to competitive bidding, in particular where exigency is cited as the reason for requesting such exceptions. In comparing the information provided in annexes III and IV, it should be noted that there has been a considerable decline in the number of cases (208) of exceptions authorized during the first nine months of 1995, at a total value of $206,531,779. In 1994, exceptions were granted in 344 cases, with a total value of $469,646,291.

26. The Headquarters Committee on Contracts can no longer be administered on a part-time basis by staff who have other full-time jobs in various departments and offices. Therefore, the position of a full-time Chairman of the Committee was established, effective 1 June 1995, through the redeployment of a post at the P-5 level from the Procurement and Transportation Division. The Chairman of the Committee will report directly to the Assistant Secretary-General for Conference and Support Services, with direct access, if necessary, to the Under-Secretary-General for Administration and Management.

27. A set of terms of reference for both the full-time Chairman and the Committee are being finalized, placing emphasis on the Committee taking responsibility for its decisions and recommendations and being proactive. More specifically, it puts the onus on the Chairman to seek to ensure that the cases submitted are complete, correct and compliant prior to the full meeting. It is also intended that the Committee will review approximately the top 20 per cent of contracts by value, with emphasis placed on the quality of the decision-making, rather than the quantity. In addition, the terms of reference set performance targets for the Committee in order to ensure that there is no undue delay in the review process and to provide a more efficient approach to the contracting process.

F. Defining responsibilities/streamlining procedures

28. Considerable progress has been made in bringing about a closer working relationship between the Department of Administration and Management, the Department of Peace-keeping Operations and the Office of Legal Affairs. The respective responsibilities of the Department of Administration and Management, the Department of Peace-keeping Operations and the Office of Legal Affairs with regard to procurement are being defined more precisely in an effort to remove bottlenecks and to ensure an efficient and effective system of procurement, where each department and office knows where its own responsibilities begin and end. Preparation of comprehensive management information statistics is also being developed to provide all levels of management information on a regular basis so as to allow workload and performance measurements and planning of staff resources within the Procurement and Transportation Division. Examples of some of the statistics are reproduced in annexes V to VIII of the present report, which will be refined further over the coming months. Since February 1995, a detailed weekly status report on all procurement for major peace-keeping operations has been prepared and circulated by the Procurement and Transportation Division to the Executive Office of the Secretary-General, the Department of Peace-keeping Operations, the Office of Legal Affairs and the Department of Administration and Management, not only for the purpose of disseminating information, but also to resolve difficulties encountered. The development of the management information statistics will also facilitate the preparation of an annual report detailing the activities of the Procurement and Transportation Division. Such a report covering 1995 is planned to be produced some time during the first quarter of 1996.

G. Supplier Relations Officer

29. A Supplier Relations Officer, previously referred to as the Vendor Ombudsman, will be designated by January 1996, to whom all suppliers may address their inquiries and/or concerns. Currently, an effort is being made to identify an existing post to be redeployed for this purpose and a comprehensive set of terms of reference of the post is under review.

H. Financial regulations and rules and standard operating procedures

30. A comprehensive and detailed review of the relevant financial regulations and rules has begun with the initial phase concentrating on the preparation of a set of policy guidelines for use in procurement. This document will set the parameters within which authorized staff will operate, irrespective of location. This exercise is focused upon producing a more flexible, responsive and efficient set of authorities and policy guidelines that empower staff to do the job, yet retain adequate oversight mechanisms. Procedures consistent with these authorities and guidelines will detail work practices within the policy parameters and it will be in this area that there may be a need for local variations at different duty stations. To date, approximately 50 per cent of the policy guidelines have been drafted.

I. Publicizing contract activities and awards

31. Information on all contract awards resulting from the recommendations of the Headquarters Committee on Contracts is currently being issued monthly in the Procurement Update published by the Inter-Agency Procurement Services Office, in Copenhagen, which is circulated to all permanent and observer missions.

32. Efforts are also under way to optimize the use of electronic bulletin boards or similar means.

J. Staff resources

33. Although action is being taken in the direction of procurement reform, it must be emphasized that this must be balanced with the workload of procurement at Headquarters and for field missions, as well as local procurement in the field. In the Procurement and Transportation Division, there are currently only 29 staff members at the Professional level and 50 staff members at other levels (General Service category) to deal with procurement for almost $500 million, compared with $54 million in 1990. It should be borne in mind that staff in the General Service category perform essential functions in assisting procurement officers in all aspects of procurement. Posts from other services were loaned to the Procurement and Transportation Division as they became vacant in order to supplement its General Service staff in support of the increased workload. As a result of abolition of posts, such an arrangement will no longer be possible beginning in January 1996, which will result in the reduction of 14 General

Service staff in the Procurement and Transportation Division by the end of the year.

34. The earlier difficulties encountered in attracting well-qualified procurement professionals owing to the fact that some of the staffing resources allocated to the Procurement and Transportation Division and funded from the support account for peace-keeping were available only on a short-term basis as a result of their being funded under general temporary assistance while awaiting General Assembly approval for their establishment as temporary posts have been resolved to a considerable extent. Following the General Assembly's decision contained in paragraph 12 of resolution 49/250 of 20 July 1995, a total of 38 support account-funded temporary posts are currently available to the Procurement and Transportation Division, comprising 19 posts in the Professional category and above and 19 General Service posts. At the same time it is noted that in view of the significant reduction in the level of support account income being projected for 1996 on the basis of the current financing formula approved by the General Assembly, it is likely that the number of support account-funded temporary posts allocated to the Procurement and Transportation Division (and to other Secretariat units involved) in 1996 will have to be reduced, affecting the capacity of the Division.

35. At present, four secondees are available to the Procurement and Transportation Division to strengthen their capacity to meet the procurement requirements of peace-keeping and other field missions. However, such Procurement Officers under the present Financial Regulations and Rules of the United Nations cannot be delegated contractual signing authority.

36. Despite the difficulties addressed above, every effort will be made to implement the reforms within the next 12 months, utilizing the current level of staff resources, in addition to the post of Director requested. Accordingly, Member States are requested not to reduce staff resources, which are already stretched to the limit, until the reforms are in place and reviewed thereafter. The staff costs within the Procurement and Transportation Division represent approximately 1 per cent of the funds spent on goods and services. On an expenditure of $500 million, it would not be unreasonable to expect a 10 per cent saving on what is spent, once the reforms are put in place. A small investment, therefore, in maintaining or even increasing staff levels for the implementation period would be a prudent decision. When the reforms have been implemented, however, the staffing levels should be critically re-evaluated and adjusted to meet the actual requirements necessary to do the work effectively.

37. The Office of Legal Affairs has been reorganized to establish a group of legal officers with expertise in contractual matters to deal with procurement contracts. Thus the General Legal Division of the Office has established four clusters. One of those clusters is specifically designated Substantial Contracts/Procurement. In addition, another of the four clusters, designated Peace-keeping Operations Support, has the expertise and the mission to assist in these contractual matters as they pertain to peace-keeping operations, an area involving considerable procurement. Finally, the Purchase and Transportation Service, the Field Administration and Logistics Division and the Office of Legal Affairs have agreed in principle to hire additional attorneys on short-term contracts as necessary and appropriate to address these matters under Office of

Legal Affairs supervision. The Procurement and Transportation Division and the Office of Legal Affairs have been jointly reviewing all of the forms and contracts currently utilized in order to seek further standardization and simplification and to reduce unnecessary work and duplication, thereby ensuring greater clarity and consistency.

38. Another staff resource area that is being addressed is the role of contract administrators. Work is under way within the Secretariat to have contract administrators in place to ensure the effective implementation of contractual obligations, in particular where major contracts are concerned. Another area that is being addressed is improved monitoring of contract compliance and the strengthening of penalty clauses for non-compliance. Consideration is also being given to the future role of contract administration within the procurement area as a responsibility of the procurement officer signing the contract. It is important that contract letting, contract monitoring and contract administration remain functionally within the same area. In addition, it will ensure that the total process will be under one responsibility and thus clarify accountability.

K. Information technology

39. With regard to the development of information technology in support of procurement activities, a stand-alone procurement software package already in use in the Secretariat is being integrated with IMIS. Implementation of Release 3 of IMIS, of which the procurement functionalities are a part, is now scheduled for the first quarter of 1996. The integration of the procurement functionalities with IMIS will ensure greater financial control: all requisitions will be pre-encumbered and purchase orders obligated to ensure that funds are available.

40. IMIS has introduced a "catalogue", which will consist of standardized specifications of commonly requisitioned items. The catalogue will facilitate the procurement process by clearly identifying the items required and make the requisitioning of standard items easier, both for the user departments/offices and procurement offices.

III. CONCLUSION

41. Action is already being taken on a number of the recommendations made by the Group of Experts as well as others made during the General Assembly, including by the Board of Auditors. Regrettably, the heavy workload within the Procurement and Transportation Division has restricted the speed with which some of the recommendations should be implemented. There is, however, a renewed determination and commitment to implement the necessary reforms. The three experts loaned by Member States continue to work directly with the Assistant Secretary-General for Conference and Support Services and the staff members of the Procurement and Transportation Division in order to bring about expeditiously the reform of the United Nations procurement system. Indeed, although the procurement plan of action reproduced in annex II indicates the target dates, it is expected that some of the more high-impact, high-gain recommendations will be implemented earlier.

42. Detailed work has also started on providing a firm foundation upon which further changes can be implemented by improving specifications, establishing a comprehensive supplier database and reviewing all existing documentation in order to achieve greater standardization and simplification. The current fragmentation of functions between various departments and offices will have to be addressed in early 1996. Institutional issues remain the most difficult to resolve. It is only by taking a holistic and integrated approach that maximum benefits will be derived.

43. It should be recognized that the staff resources of the Procurement and Transportation Division, both in terms of number of staff as well as expertise in procurement, have not been addressed appropriately for some time. In order to ensure that the reform of the procurement policy and procedures are fully implemented, appropriate staff resources should be provided. Accordingly, the necessary funds should be made available in order to ensure an appropriate level of highly qualified staff with procurement expertise within the Division. The establishment of the post of Director of the Procurement and Transportation Division is therefore critical to the success of the reforms.

44. In implementing the procurement reforms, including the formulation of guidelines and procedures, there will be full consultations and cooperation with oversight bodies, including the Office of Internal Oversight Services.

45. The Secretary-General reiterates his full commitment and determination to establish an efficient and responsive procurement process that ensures that goods and services are obtained, including those for field missions and in the field, in an expeditious and cost-effective manner. At the same time, the new procurement policy will include revised procedures to provide for a truly competitive, fair and transparent process, including the establishment of clear lines of responsibility, authority and accountability, and inherent control mechanisms.

46. Finally, the Secretary-General wishes to express his sincere appreciation to all members of the Group of Experts for their dedicated and most valuable contribution towards the reform of the United Nations procurement system, as well as to their Governments for making their services available to the Organization.

Notes

1/ See Official Records of the General Assembly, Fiftieth Session, Supplement No. 6 (A/50/6/Rev.1), vol. II, sect. 26D.

ANNEX I

Terms of reference for the high-level expert review of the procurement process for the Organization, for field missions and in the field

Objective

1. The high-level expert review of the procurement process is intended to result in specific recommendations leading to the establishment of an efficient and responsive procurement process, including procurement for field missions and procurement in the field. The procurement process should ensure that goods and services are obtained in an expeditious, timely and cost-effective manner. At the same time, the process must also provide for transparency, clear lines of accountability and inherent control mechanisms, and involve a competitive process to the extent possible.

Plan of action

2. Specifically, the Group of Experts shall undertake the following tasks:

(a) Conduct a strategic needs analysis in the area of supply of goods and services for the Organization and specifically, for field missions, including the related contracting procedures, determining distinctive characteristics of the required procurement action, in particular in support of rapid deployment of new operations and major expansion of existing ones;

(b) Undertake a systematic in-depth review of:

(i) The current procurement process at United Nations Headquarters and selected field missions, including the requisitioning, bid evaluation and vendor registration processes;

(ii) The financial regulations and rules governing procurement, as well as the established practices, including procurement for field missions;

(iii) The control mechanisms in place;

(iv) The use of letters of assist as a procurement mechanism;

(v) The current levels and scope of delegated procurement authority to field missions;

(vi) The distribution of workload between United Nations Headquarters and field missions in terms of both value and number of transactions;

(vii) Other internal as well as external factors that may affect the efficiency of the procurement processes;

(c) Based on the results of the review, the Group will document in detail all existing bottlenecks, restrictions and constraints in the current procurement process, highlighting the limiting factors causing those effects;

(d) In the light of the needs analysis and taking into consideration the detected shortcomings of the current process and procedures, and their causes, recommend specific, proactive steps to enhance the procurement policy and contracting procedures.

ANNEX II

Procurement study recommendations with the implementation programme shown

Stage 1: Recommendations that should be carried out as soon as practicable either because they give an immediate gain or alleviate the current problems, or because their gestation period is long and their completion is complementary to the Stage 2 recommendations.

	Recommendation	Target completion date	Action started
1.	Implementation of a programme of professional training, starting at the buyer level.	December 1995	Yes
2.	Training for management and supervisory levels on general management and commercial competencies as well as on United Nations-specific systems.	March 1996	Yes
3a.	Functional responsibility for all procurement to be given to the Department of Administration and Management.	a/	a/
3b	Operational responsibility for procurement to remain with the Department of Peace-keeping Operations	a/	Yes a/
4.	All Chief Procurement Officers to have the right of direct access to the Chief, Purchase and Transportation Service, on professional matters.	a/	a/
5.	All requisitions for Headquarters action to go directly to the Procurement and Transportation Division and not through the Field Administration and Logistics Division, preferably electronically.	a/	a/
6.	Abolition of local committees on contracts.	June 1996	No
7.	Issuance of personal letters of delegation that clearly spell out what can and cannot be done.	January 1996	Yes
8.	Increased delegation to the field missions in line with the suggestions detailed in annex D to the report of the Group of Experts.	December 1995	Yes
9.	Issuance of a larger imprest to sector level in field missions (around $5,000), to use for day-to-day requirements; guidelines on its use to be issued.	January 1996	Yes
10.	While waiting for budget approval, authority to be given to commit up to 75 per cent of the estimated budget (under rule 110.6); priority to be given for mission-critical items.	September 1995	Yes
11.	The Procurement and Transportation Division to review and implement increased numbers of global system/blanket contracts.	January 1996	Yes
12.	The vendor roster to be fully purged and Member States to be asked to seek national vendor registration details.	March 1996	Yes
13.	Commercial generic specifications to be compiled and, where not available, United Nations-particular specifications to be developed by the Department of Peace-keeping Operations; field missions to be issued with a full list of specifications.	January 1996	Yes

	Recommendation	Target completion date	Action started
14.	Issuance of clear instructions on the use of immediate operational requirement. (A revised definition is given in para. 10 of the report of the Group of Experts.)	January 1996	Yes
15.	The Headquarters Committee on Contracts to pre-vet only the system contracts and carry out a quality review process on a decision already made.	December 1995	a/
16.	Public bid openings to be stopped.	January 1996	a/
17.	The bottlenecks identified in the Procurement and Transportation Division at the level of the head of the Field Mission Procurements Section and head of the Processing Section to be eliminated by a better definition of responsibilities at lower levels.	July 1995	Yes
18.	The Procurement and Transportation Division to initiate a record system to show staff qualifications, expertise, experience and competencies, with a view to matching staff to posts.	January 1996	Yes
19.	Procurement plan to be drafted to cover estimated requirements over the next 12-month period.	February 1996	No
20.	All reports currently available to be critically reviewed and deleted if not used.	December 1995	Yes
21.	Managers to identify their IMIS requirements: requisition value; amount spent/committed budget; demand satisfaction rate; lead times; equipment performance and trend analysis; vendor performance, etc.	April 1996	Yes
22.	All relevant staff to receive both IMIS and REALITY training.	April 1996	Yes
23.	Post-operation reports and/or debriefings to identify problems, solutions and recommendations for the future.	November 1995 (ongoing)	Yes
24.	All requests to vendors to allow 30 days for a response, with a minimum of 14 days for a fax response.	September 1995	Yes
25.	An information technology coordinator to be appointed to survey and record all computer hardware and software in use, with a view to making full use of existing capabilities and expertise.	April 1996	Yes
26.	Critical review of the competence of managers and move/train, if necessary.	September 1995 (ongoing)	Yes
27.	An independent complaint bureau/Supplier Relations Manager to be appointed to take action on complaints.	January 1996	Yes

a/ Under consideration.

Stage 2: Recommendations that require detailed implementation work and those which will provide the solution to see the support of the United Nations into the future. These are essential if the United Nations is to provide an efficient and cost-effective support infrastructure for the future.

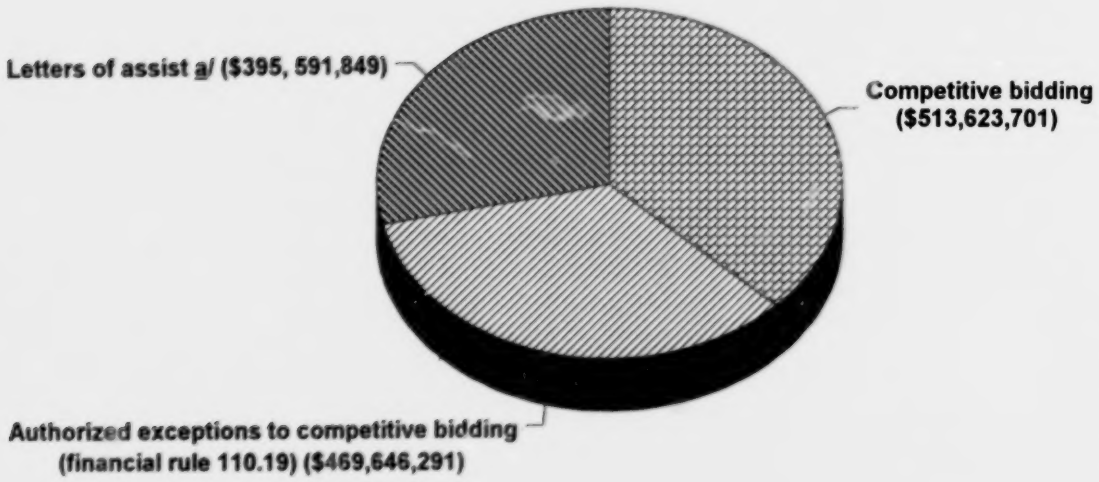
	Recommendation	Target completion date	Action started
1.	A logistic organization to be implemented.	July 1996	a/
2.	A full inventory of existing assets to identify what they have, where it is and in what condition; asset redistribution could form the basis of start-up kits.	August 1996	No
3.	A procurement policy document to be produced.	July 1996	Yes
4.	A procurement procedural document to be produced.	July 1996	Yes
5.	A standard operating manual to be written.	July 1996	Yes
6.	A team concept to be fostered.	March 1996	Yes
7.	A mission statement to be issued.	July 1996	No
8.	Linear responsibility charts to be generated.	July 1996	Yes
9.	All major contract activity and awards to be publicized both in hard copy and on electronic media as a Contracts Bulletin, which should also include standard conditions of contracts and contract award criteria, clearly spelt out.	February 1996	Yes

a/ Under consideration.

ANNEX III

Headquarters Committee on Contracts

Value of cases recommended for approval by basis of award, 1994
($1,378,861,841)

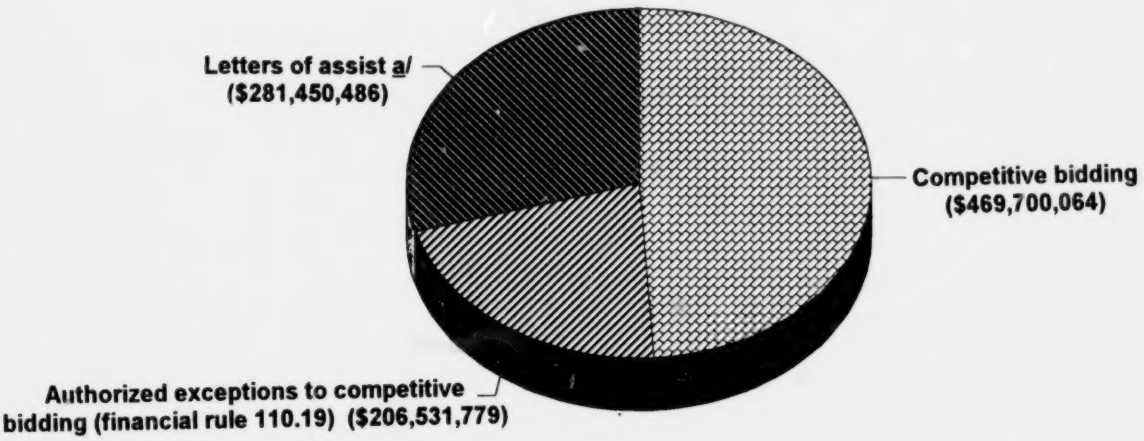


a/ Subjected to competitive pricing inquiries.

ANNEX IV

Headquarters Committee on Contracts

Value of cases recommended for approval by basis of award, January to September 1995
($957,682,329)

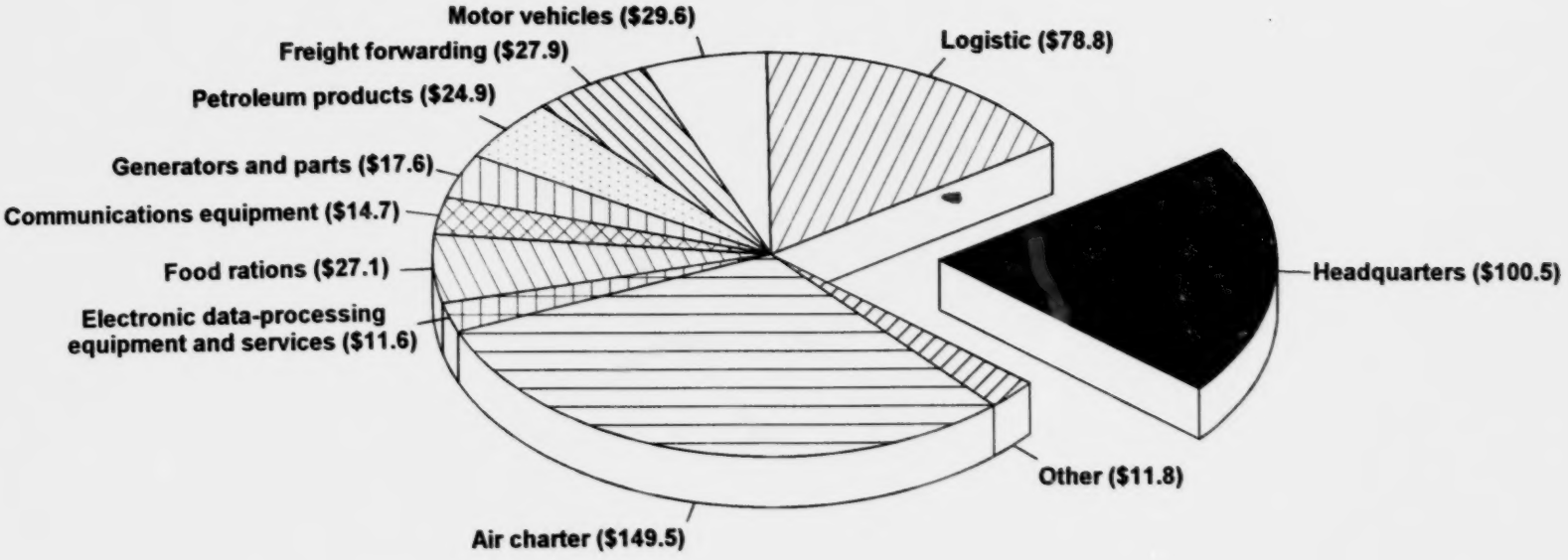


a/ Subjected to competitive pricing inquiries.

ANNEX V

Purchase and Transportation Division

Goods and services purchased in 1994 a/
(Value in millions of United States dollars)



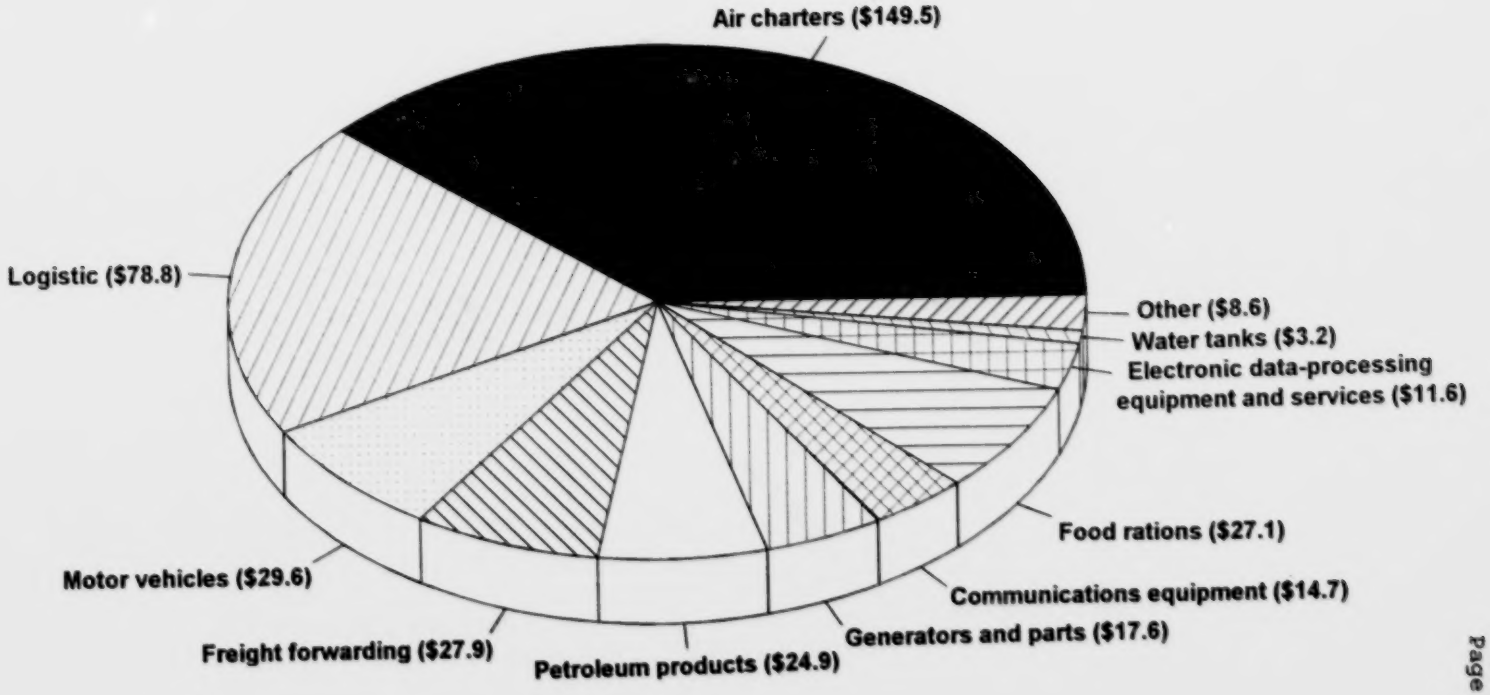
a/ Total procurement value: $494 million.

/...

ANNEX VI

Purchase and Transportation Division
Field Missions Procurement Service

Goods and services purchased in 1994 a/
(Value in millions of United States dollars)



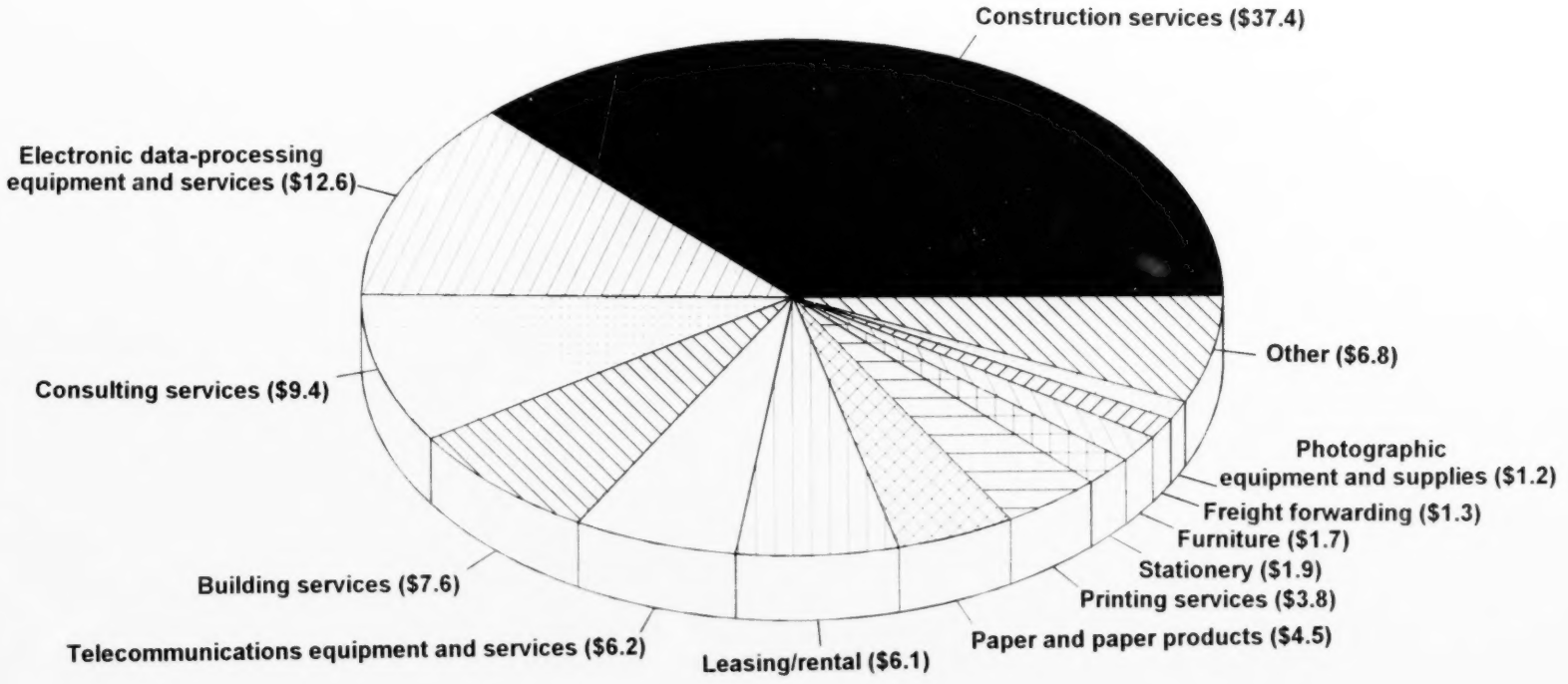
a/ Total procurement value: $393.5 million.

/...

ANNEX VII

Purchase and Transportation Division
Headquarters and Regional Offices Procurement and Transportation Service

Goods and services purchased in 1994 a/
(Value in millions of United States dollars)



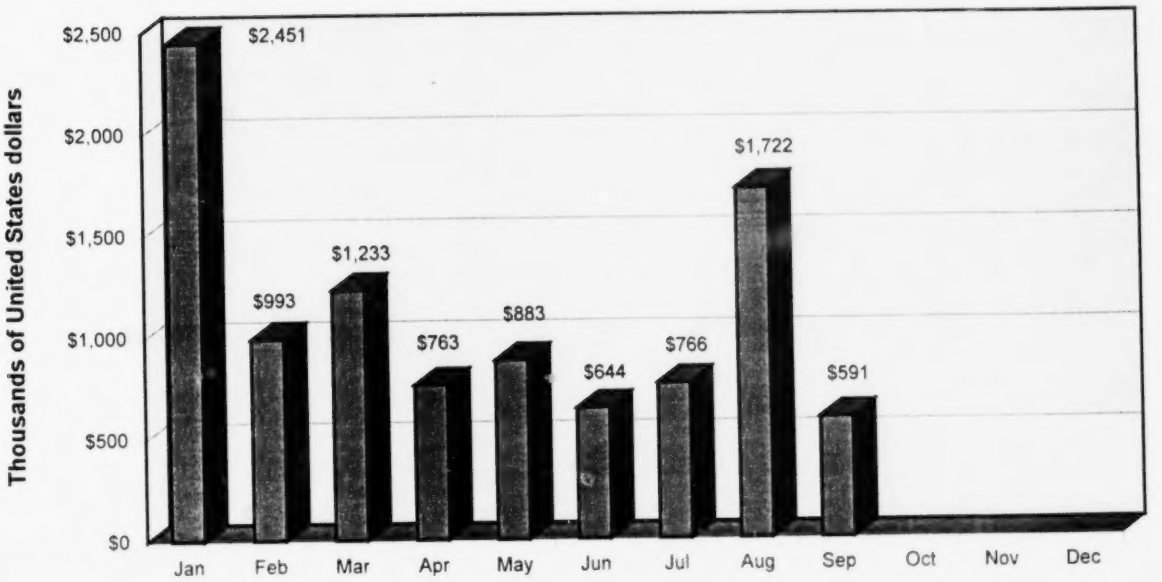
a/ Total procurement value: $100.5 million.

/....

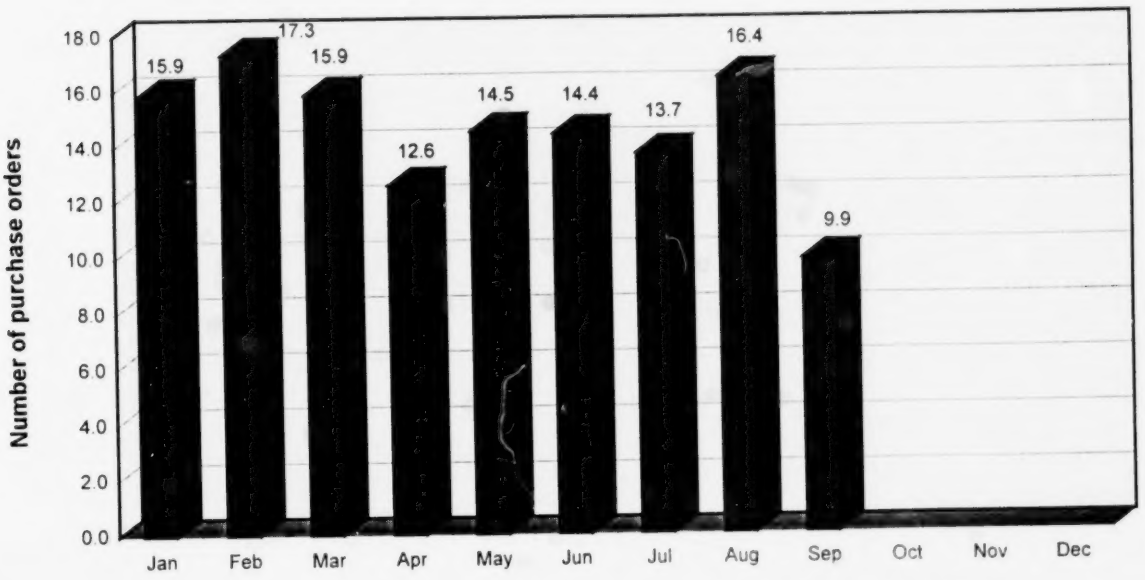
ANNEX VIII

Purchase and Transportation Division

January-September 1995



Average dollar value per Procurement Officer



Average number of purchase orders per Procurement Officer